



7555-01-P

NATIONAL SCIENCE FOUNDATION

Management Fee Policy

AGENCY: National Science Foundation.

ACTION: Notice

SUMMARY: On December 30, 2014, the National Science Foundation (NSF) published at 79 FR 78497 a notice and request for comments on NSF's revised policy on management fee. The payment of a small but appropriate management fee has been a long standing practice at NSF in limited circumstances related to the construction and operation of major facility projects. NSF has strengthened both the criteria used to establish such fees and the controls that may be necessary to ensure that uses of fees are consistent with those established criteria. These efforts resulted in the revised policy that was sent for public comment. On June 16, 2015, NSF received OMB approval under the Paperwork Reduction Act for the Large Facilities Manual (3145-0239) which included NSF's final policy on management fee under Section 4.2.2.2.

FOR FURTHER INFORMATION CONTACT: Suzanne Plimpton on (703) 292-7556 or send e-mail to splimpto@nsf.gov. Individuals who use a telecommunications device for the deaf (TDD) may call the Federal Information Relay Service (FIRS) at 1-800-877-8339, which is accessible 24 hours a day, 7 days a week, 365 days a year (including federal holidays).

SUPPLEMENTARY INFORMATION:

The following final Management Fee Policy can be found in NSF's Large Facilities Manual:

4.2.2.2 Management Fee

Management fee is an amount of money paid to a recipient in excess of a cooperative agreement's or cooperative support agreement's allowable costs. Generally, NSF does not permit the payment of fee (profit) to organizations under financial assistance. However, a management fee may be authorized for awards in the limited circumstances of construction or operations of a large facility as the responsible organization is likely to incur certain legitimate business expenses that may not be reimbursable under the governing cost principles. NSF provides for a management fee in these limited circumstances, as appropriate, recognizing that the awardee would only incur such expenses as a result of its support of the NSF-funded activity.

Prior Approval of Management Fees - A management fee proposal must be submitted to NSF that provides sufficient visibility into each expense category to identify its intended purpose. Agreement on management fee amounts shall be completed and a specific dollar amount established prior to the initiation of work under an award, or any subsequent period not authorized as part of the initial award. Any amount negotiated shall be expressly set forth in the terms and conditions of the award. Awardees may draw down the management fee in proportion to the amount incurred during the performance period. Fee established for a period longer than one year shall be subject to adjustment in the event of a significant change to the budget or work scope.

The following expense categories will be used in the negotiation and award of a management fee:

- **Working capital necessary to fund operations under an award**
 - An amount for working capital may be necessary to ensure a level of retained earnings available to the organization in order to secure credit and borrowing to assure the financial health of the organization.

- **Facilities capital necessary to acquire assets for performance** - An amount for facilities capital may be necessary to allow the organization to acquire major assets and to address expenses that require immediate substantive financial outlays but that are only reimbursed through depreciation or amortization over a period of years.
- **Other ordinary and necessary expenses for business operations that are not otherwise reimbursable under the governing cost principles** - An amount for other expenses that are ordinary and necessary but not otherwise reimbursable may be necessary to provide a reasonable allowance for management initiative and investments that will directly or indirectly benefit the NSF-funded activity. Inclusion of amounts under this category warrants careful consideration of the benefits that may be obtained when providing management fee. Examples of potential appropriate needs include expenses related to contract terminations and losses, certain appropriate educational and public outreach activities, and financial incentives to obtain and retain high caliber staff.

- **Prohibited Use of Management Fees** - Although not an exhaustive list, the following are examples of expenses that are not appropriate uses of a management fee:
 - o Alcoholic beverages
 - o Tickets to concerts, sporting and other events
 - o Vacation or other travel for non-business purposes
 - o Social or sporting club memberships
 - o Meals or social activities for non-business purposes
 - o Meals or social activities for business purposes that are so extravagant as to constitute entertainment
 - o Luxury or personal items
 - o Lobbying as set forth at 2 CFR § 200.450 and FAR 31.205-22, as appropriate to the recipient type

In addition, costs incurred under the award that are otherwise allowable under the governing cost principles must be classified as direct or indirect charges to the award and shall not be included as proposed management fee elements.

Documentation Requirements on Use of Management Fees - Even though the management fee represents an amount in excess of allowable cost and is therefore not subject to the governing cost principles, NSF, as a matter of policy, has determined that

review of appropriate use of such funds is necessary. Information available on actual uses of management fee previously awarded by NSF in the preceding five-year period under any award shall be included in the proposing organization's fee proposal. As a term and condition of the award, the awardee will be required to provide information (typically annually) on the actual use(s) of the management fee. NSF will conduct reviews of this information regarding the extent to which the awardee fee proposals have proven reliable when compared with actual uses of management fee (both as to the fee amount as well as the planned uses of the fee). Unexplained failure to reasonably adhere to planned uses of fee will result in reduction of future management fee amounts under the award.

DATED: September 9, 2015

Suzanne H. Plimpton,
Reports Clearance Officer,
National Science Foundation.

[FR Doc. 2015-23015 Filed: 9/11/2015 08:45 am; Publication Date:
9/14/2015]